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SUBJECT: ITALIAN LABOR: BACK AT THE POLICY-MAKING TABLE

REF: A) ROME 1317

B) ROME 0584

1. (SBU) Summary: The election of two former union leaders, Fausto Bertinotti of the Communist Renewal Party as President of the Chamber of Deputies, and Franco Marini of the Daisy Party as President of the Senate, will help bring Italian unions back to the table on social and economic policy formation after five years of being ignored by Berlusconi. Prodi will need labor support for reforms to increase productivity and competitiveness, but unions remain wary of further social disruptions in a zero-growth economy. Based on their roots in the communist-radical/CGIL and Catholic-moderate/CISL union confederations respectively, Bertinotti and Marini may react differently as they face the need to convince their former union colleagues to support painful but necessary labor and pension reform. The first test may come over efforts to amend or overturn the 2003 Biagi law, which marginally increased labor market flexibility. End Summary.

2. (U) On April 29, Fausto Bertinotti, leader of the Communist Renewal Party, was elected President of the Chamber of Deputies. Franco Marini, a leader within the Daisy Party, was elected President of the Senate. Both are former union leaders. Additional union members elected to Parliament include the former CISL Secretary General, Sergio D'Antoni, the number two in UIL (the third largest union confederation), Adriano Musi, and the former CGIL International Affairs Director, Titti Di Salvo.

3. (SBU) Despite signing the 1992 Pact with Italy to bring social partners (government, employers, unions) into the decision-making process, Berlusconi largely ignored and marginalized unions during his five-year tenure as Prime Minister. With a Center-Left government that won the election based on concerns about Italy's zero-growth economy, the unions want to come back to the policy-making table.

4. (SUB) However, the Center-Left has a long and vague platform for economic/social reforms that the new Prodi Government will have to prioritize and refine (Ref B). Challenges include proposals to overturn or amend the Biagi law that marginally increased labor market flexibility and to abrogate the Bossi-Fini law that controls immigrant labor. Prodi will have to agree to move forward on delayed implementation of laws to extend the mandatory retirement age from 57-60 and to introduce private pension options for investing government retirement funds. CSIL and UIL support amending the system of national sector-based collective bargaining agreements to allow more local flexibility, but CGIL disagrees.

Bertinotti -- Still a Radical  
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5. (U) Bertinotti dedicated his first Parliamentary speech to blue-collar workers, arguing that labor has been undermined in recent years to the point that employment instability has become a threat to society. He then participated in a May Day rally promoted by trade unions where he was hailed as a champion of the working class. Bertinotti joined the (originally communist) CGIL confederation in 1964, became secretary of a local federation of textile workers and rose to become Regional Secretary from 1975-1985. In 1972, he joined the Communist

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Party. His career as a union leader ended in 1993 when he founded the Communist Renewal Party that sustained (and eventually brought down) the 1996-1999 Prodi government.

6. (SBU) Bertinotti, along with the current General Secretary of CGIL, has called for the repeal of the 2003

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Biagi law that marginally increased labor market flexibility. Biagi critics claim that it provided employers with more flexibility, but only at the expense of increased uncertainty for part-time and contract workers who receive

little or no pension benefits. Bertinotti wants to block implementation of the change in the mandatory retirement age from 57-60. He is also one of the extreme Left's most strident critics of the war in Iraq and supports immediate withdrawal of Italian troops.

Marini -- A Conciliator  
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17. (U) In his first address to Parliament, Marini identified his top political priorities as economic development and social cohesion. Marini is the son of a blue-collar worker, a product of the Christian Democrat (DC) Party and the (originally Catholic) CISL union confederation that he joined during the 1950s. He served as CSIL General Secretary from 1985-1991 and during that time also was Vice

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President of the International Confederation of Free Trade Unions (ICFTU). As CISL General Secretary, he promoted tighter coordination with CGIL, and ultimately the practice of orchestrating labor policies between union confederations and the Government during the 1990s. In 1991, he was appointed Minister of Labor under the Amato government. He founded the Italian People's Party (PPI) and led it from 1996 to 1999. The PPI was the main successor party to the DC.

18. (SBU) Marini, like CISL, supports modifications to the Biagi law but recognizes the need to increase Italy's productivity and competitiveness. He should be well-placed to broker deals between the government and the union confederations on economic reform. Marini is a moderate on foreign policy and will support gradual withdrawal from Iraq in consultations with the Iraqi government and allies.

19. (SBU) COMMENT: The three major labor confederations have already called for a new round of talks with the Government to bring labor back to the table, and Bertinotti and Marini will work to smooth the inclusion of labor in the policy making process. Prodi will need labor support for reforms to increase productivity and competitiveness, but unions remain wary of further social disruptions in a zero-growth economy. Despite different points of view, Bertinotti and Marini both may be forced to convince their union colleagues to support painful and necessary reforms. The first test may come over efforts to amend or overturn the 2003 Biagi law.

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